

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 3655 - SB 3605

February 25, 2012

SUMMARY OF BILL: Exempts from state and local sales and use tax certain purchases of tangible personal property when purchased by, or for, a sports authority, and when such tangible personal property is purchased for construction or improvement of a sports facility.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – Exceeds \$417,400

Decrease Local Revenue – Exceeds \$176,300


Assumptions:

- According to the Department of Revenue, and based on a 2008 report by the University of Tennessee Center for Business and Economic Research, there are five Tennessee cities with sport authorities: Jackson – Diamond Jacks Softball Complex; Memphis – Redbirds and Grizzlies; Nashville – Predators and Titans; Sevierville – Tennessee Smokies; and Wilson – Nashville Motor Speedway.
- The fiscal impact of this bill is dependent upon several unknown factors such as the number of sports authorities in the future; the extent to which any sports authority will construct or improve a sports facility; the total cost of any project to construct or improve a sports facility; and the extent to which tangible personal property is purchased for constructing or improving a sports facility.
- On October 19, 2011, the Associated Press reported that the Tennessee Titans had announced a proposal to spend \$25,000,000 for renovations to the Titans football stadium.
- It is reasonably estimated that a minimum of five sports authorities will exist in Tennessee in any given year, and that a minimum of one per year will undertake a project similar in scope to the project proposed by the Titans, and that purchases of tangible personal property consist of at least 25 percent of total project costs.
- The current state sales tax rate levied on tangible personal property is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- One hundred percent of tangible personal property purchases are single items priced less than \$1,600 per item; therefore, it is assumed the state single article tax does not apply.

- The recurring decrease in state sales tax revenue is estimated to exceed \$437,500 ($\$25,000,000 \times 25.0\% \times 7.0\%$); the recurring decrease in local option sales tax revenue is estimated to exceed \$156,250 ($\$25,000,000 \times 25.0\% \times 2.5\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.
- The recurring decrease in local revenue pursuant to the state-shared allocation is estimated to exceed \$20,092 ($\$437,500 \times 4.5925\%$).
- The net recurring decrease in state revenue is estimated to exceed \$417,408 ($\$437,500 - \$20,092$).
- The total recurring decrease in local revenue is estimated to exceed \$176,342 ($\$156,250 + \$20,092$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/rnc